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ORIGINAL

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CLERKS, U.S. DISTRICT COURTS
IN THE DISTRICT OF CALIFORNIA

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DEPUTY

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

STEPHEN J. DONELL, Permanent
Receiver for Learn Waterhouse, Inc.,
its subsidiaries and affiliates.

Plaintiff.

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BRADLEY BROWNING AKA BRAD
BROWNING and BETHANY
BROWNING.

Defendants

CASE NO. 10 CV 2452 L NLS

Plaintiff Stephen J. Donell (“Receiver”), receiver for Learn Waterhouse, Inc. and its subsidiaries and affiliates (“LWI”), avers as follows:

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INTRODUCTION

26 1. Learn Waterhouse, Inc., was a purported investment company created
27 by Randall T. Treadwell.

11

IDOCs:13326.5:1128373.1

COMPLAINT TO AVOID FRAUDULENT TRANSFERS AND RECOVER
PROPERTY TRANSFERRED; FOR UNJUST ENRICHMENT RESTITUTION

1 2. Beginning in approximately December 2003 Learn solicited
2 investments from individuals on promises of enormous returns of as much as ten
3 percent per month.

4 3. Certain individuals, known as Senior Member Representatives
5 ("SMRs"), acted as salespeople, bringing in investors and, in turn, received
6 commissions and/or enhanced returns on their own investments.

7 4. Other early investors (“Participants”) received a substantial amount of
8 money as purported returns on their investments.

9 5. LWI was extremely successful in attracting investors and received
10 approximately \$84,000,000 in investments.

11 6. LWI and several of its principals are defendants in an enforcement
12 action commenced in this Court by the Securities and Exchange Commission
13 (“SEC”) on October 12, 2004, entitled *Securities and Exchange Commission v.*
14 *Learn Waterhouse, Inc., et. al.*, Case No. 04-CV-2037-W(LSP) (“SEC Action”)

15 7. The SEC alleges in its complaint that LWI was a Ponzi scheme
16 operated in violation of federal securities laws.

17 8. On November 1, 2004 Thomas F. Lennon (“Lennon”) was appointed
18 receiver for LWI in the SEC Action.

19 9. On November 4, 2009 Stephen J. Donnell was appointed as successor
20 receiver for LWI in the SEC Action.

III.

JURISDICTION AND VENUE

23 10. This Court has jurisdiction over the SEC Action pursuant to sections
24 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933, 15 U.S.C. §§ 77t(b),
25 77t(d)(1) and 77v(a), and sections 21(d)(1),(21)(d)(3)(A), 21(e) and 27 of the
26 Securities Exchange Act of 1934, 15 U.S.C. §§ 78(u)(1), 78(u)(d)(1), 78u(d)(3)(A),
27 78U(e) and 78aa.

1 11. This Court has jurisdiction over this action pursuant to 28 U.S.C. §
2 1367 and because this action is ancillary to the SEC Action and the receivership
3 pending before this Court. Donell v. Kowell, 553 F.3d 762 (9th Cir. 2008).

4 12. This action involves the same series of transactions as the SEC Action.

5 13. Venue is proper in this district, because this action is ancillary to the
6 SEC Action and the receivership currently pending before this Court.

III.

THE PARTIES

9 14. The Receiver is the duly appointed and acting permanent receiver of
10 LWI, its subsidiaries and affiliated entities. The Receiver was appointed by order of
11 the United States District Court, Southern District of California in the SEC Action.

15. Defendants Bradley Browning aka Brad Browning and Bethany
16. Browning (“Defendants”) are individuals who reside, on information and belief, in
17. Jacksonville, Florida.

IV.

GENERAL ALLEGATIONS

17 | A. THE SEC ACTION

16. On October 12, 2004, the SEC filed a complaint against LWI, Randall T. Treadwell, (“Treadwell”) Rick D. Sluder (“Sluder”), Larry C. Saturday (“Saturday”) and Arnulfo M. Acosta (“Acosta”), accompanied by an Emergency Ex Parte Application for Temporary Restraining Order and Orders: (1) Freezing Assets; (2) Prohibiting the Destruction of Documents; (3) Appointing a Receiver; (4) for Accounting; (5) for Repatriation of Assets; and (6) Order to Show Cause Re Preliminary Injunction (“TRO”).

25 17. The Complaint alleges that the Defendant (1) engaged in the offer and
26 sale of unregistered securities in violation of Section 5(a) and 5(c) of the Securities
27 Act of 1933 (the “Securities Act”), and (2) committed fraud in the offer and sale of
28 securities in violation of Section 17(a) of the Securities Act, and (3) committed

1 fraud in connection with the purchase and sale of securities under Section 10(b) of
2 the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.

3 18. The Court issued a TRO and an Order to Show Cause why the TRO
4 should not be converted into a Preliminary Injunction and why the appointment of a
5 receiver should not become permanent.

6 19. On November 1, 2004, the Court issued a Preliminary Injunction Order,
7 which continued in effect the terms of the TRO and converted the receiver's
8 temporary appointment to that of a permanent receiver.

9 20. On September 8, 2005, Treadwell, Sluder, Saturday and Acosta were
10 indicted on federal criminal charges of conspiracy and wire fraud. These criminal
11 proceedings were designated as United States District Court, Southern District of
12 California Case No. 05 CR 1570 W.

13 21. In light of the criminal indictment against him, on September 21, 2005,
14 Treadwell filed a motion to stay the civil case pending the conclusion of the criminal
15 proceedings.

16 22. The Court granted Treadwell's motion for a stay, but ordered that the
17 receivership continue and that the terms of the Preliminary Injunction remain in
18 effect, except those provisions which require the defendants to furnish information
19 or records to the SEC or Receiver.

20 23. On April 27, 2006 the Court held the stay applied to the receiver's
21 efforts to recover funds from Participants or others based on LWI's wrongdoing.

22 24. The indictment charged, among other things, that Treadwell and his co-
23 conspirators intentionally concealed from investors that new investor funds would
24 be used to pay back earlier investors.

25 25. The indictment also charged that Treadwell and others caused Cash
26 Cards International, LLC to transfer investor funds received from Acosta's attorney-
27 client trust account back to the same investors, or earlier investors, as ostensible
28 periodic returns on investments.

1 26. On June 17, 2008 Treadwell and others were found guilty of conspiracy
2 and wire fraud as charged in the indictment.

3 27. Following the conviction of all defendants, the stay was lifted on
4 January 12, 2009.

5 28. On March 20, 2009, the Court granted the SEC's motion for summary
6 judgment and entered a judgment of permanent injunction against the individual
7 defendants in the civil case.

8 **B. OPERATION LWI**

9 29. Treadwell, with the aid of Sluder, Saturday and Acosta, through the
10 operation of LWI and affiliated entities, including Wealth Builders Club, Inc. and
11 Quest International, Inc., solicited money from members of the public ostensibly for
12 participation in high-yield trading programs and venture capital investments.

13 30. Certain investors, generally those that invested in LWI early on, were
14 recruited or invited by the defendants to become SMRs.

15 31. SMRs solicited the participation of other investors and were often paid
16 commissions or referral fees in addition to the disbursements on their own
17 investments. Essentially, SMRs acted as sales agents of LWI.

18 32. Participants who invested in the early stages of LWI often received
19 substantial disbursements, as purported returns on their investments.

20 33. The funds obtained by the SMRs and Participants consist of (1)
21 amounts transferred directly to them from LWI and (2) amounts transferred to a
22 company known as Cash Cards International, LLC ("Cash Cards") and then
23 withdrawn by the SMRs and Participants from their accounts at Cash Cards.

24 34. LWI was a Ponzi scheme in which very little of the money obtained
25 from investors was invested in any legitimate investments, and any amounts paid to
26 Participants and SMRs were paid from other investors' funds.

27 35. LWI's only source of revenue was funds from investors.

1 36. As a result of the Ponzi scheme perpetrated by LWI and its principles,
2 LWI investors lost millions of dollars.

3 **C. BRADLEY AND BETHANY BROWNING**

4 37. Defendants obtained funds derived from the Ponzi scheme well in
5 excess of the amount they invested with LWI.

6 38. The prior receiver, Lennon, demanded the return of these funds from
7 Defendants.

8 **FIRST CLAIM FOR RELIEF**

9 **(For Avoidance of and Recovery of Fraudulent Transfers**

10 **Pursuant to California Civil Code Section 3439.04(a)(1))**

11 39. The Receiver reavers and incorporates by this reference paragraphs 1
12 through 38, above, as though set forth herein in full.

13 40. Defendants invested in the LWI investment program.

14 41. Defendants received payments from LWI and/or related entities
15 totaling \$98,062.28.

16 42. Some payments made to the Defendants were directed to entities
17 owned and/or controlled by Defendants including Triple B and Triple B Master
18 Account.

19 43. The payments made to Defendants by LWI and/or its related entities
20 were made with the actual intent to hinder, delay or defraud investors in the LWI
21 investment program.

22 44. Investors in the LWI investment program who did not receive back all
23 of their principal investment are creditors of LWI.

24 45. LWI presently has one or more creditors whose claim arose either
25 before or after the payments to Defendants.

26 46. The payments made to Defendants are avoidable by the Receiver under
27 applicable law, including California Civil Code Section 3439.04(a)(1).

1 47. The Receiver is entitled to damages from Defendants in a sum of not
2 less than \$98,062.28 with interest as provided by law from the date of each payment
3 made to Defendants.

SECOND CLAIM FOR RELIEF

**(For Avoidance of and Recovery of Fraudulent Transfers
Pursuant to California Civil Code Section 3439.04(a)(2))**

7 48. The Receiver reavers and incorporates by this reference paragraphs 1
8 through 38, 40 through 42 above, as though set forth herein in full.

9 49. The payments made to Defendants were made without Defendants
10 giving a reasonably equivalent value to LWI in exchange for the payments.

11 50. At the time the payments were made to Defendants, LWI was engaged
12 in or were about to engage in a business or transaction for which LWI's remaining
13 assets were unreasonably small in relation to the business transaction.

14 51. At the time the payments were made to Defendants LWI believed or
15 reasonably should have believed it would incur debts beyond its ability to pay them
16 as they became due.

17 52. LWI presently has one or more creditors whose claims existed prior to
18 the payments to Defendants.

19 53. LWI presently has one or more creditors whose claims arose after the
20 payments to Defendants.

21 54. The payments to Defendants are avoidable by the Receiver under
22 applicable law, including California Code Sections 3439.04(a)(2).

23 55. The Receiver is entitled to damages from Defendants in a sum of not
24 less than \$98,062.28, with interest as provided by law from the date of each
25 payment made to Defendants.

THIRD CLAIM FOR RELIEF**(For Avoidance of and Recovery of Fraudulent Transfers****Pursuant to California Civil Code Section 3439.05)**

56. The Receiver reavers and incorporates by this reference paragraphs 1 through 38, 40 through 42 above, as though set forth herein in full.

57. The payments made to Defendants were made without Defendants giving a reasonably equivalent value to LWI in exchange for the payments.

58. At the time the payments were made to Defendants LWI was insolvent.

59. LWI presently has one or more creditors whose claims existed prior to the payments to Defendants.

60. The payments to Defendants are avoidable by the Receiver under applicable laws, including California Civil Code Section 3439.05.

61. The Receiver is entitled to damages from Defendants, in a sum of not less than \$98,062.28, with interest as provided by law from the date of each payment made to Defendants.

FOURTH CLAIM FOR RELIEF**(Unjust Enrichment/Restitution)**

62. The Receiver reavers and incorporates by this reference paragraphs 1 through 38, 40 through 42 above, as though set forth herein in full.

63. Defendants received at least \$98,062.28 in payments from LWI.

64. The funds received by Defendants were the proceeds of LWI's Ponzi scheme, and were paid from monies obtained from investors in LWI.

65. As a result, Defendants have profited from the operation of LWI's fraudulent scheme. If permitted to retain the transferred funds, Defendants would be unjustly enriched at the expense of the numerous LWI investors that, in the aggregate, have lost millions of dollars.

66. As a proximate result of their actions alleged herein, Defendants have received a benefit to which they were not entitled. Defendants therefore have been

1 unjustly enriched, and the Receiver is entitled to restitution in the amount of
2 \$98,062.28.

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ERVIN COHEN & JESSUP LLP

1 **PRAYER**

2 WHEREFORE, the Receiver prays as follows:

3 1. For judgment against Defendants for \$98,062.28.

4 2. For interest at the legal rate on the amount of the fraudulent transfers

5 from the date of the transfers.

6 3. For costs.

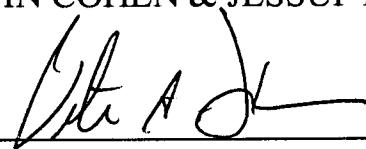
7 4. For such other and further relief as the Court deems appropriate.

8

9 Dated: November 2, 2010

Respectfully submitted,

10 ERVIN COHEN & JESSUP LLP

11 By: 

12 PETER A. DAVIDSON,
13 Attorneys for Stephen J. Donell,
14 Receiver

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ERVIN COHEN & JESSUP LLP

ORIGINAL

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

STEPHEN J. DONELL, Permanent Receiver for Learn Waterhouse, Inc., its subsidiaries and affiliates

(b) County of Residence of First Listed Plaintiff
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number)

Peter A. Davidson (SBN 76194); Ervin Cohen & Jessup LLP, 9401 Wilshire Blvd., 9th Fl., Beverly Hills, CA 90212-2974

DEFENDANTS

BRADLEY BROWNING AKA BRAD BROWNING and BETHANY BROWNING

10 NOV 30 PM 1:44

County of Residence of First Listed Defendant

(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

Attorneys (If Known)

10 CV 2452

L NLS DEPUTY

II. BASIS OF JURISDICTION

(Place an "X" in One Box Only)

<input type="checkbox"/> 1 U.S. Government Plaintiff	<input checked="" type="checkbox"/> 3 Federal Question (U.S. Government Not a Party)
<input type="checkbox"/> 2 U.S. Government Defendant	<input type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES

(Place an "X" in One Box for Plaintiff and One Box for Defendant)

Citizen of This State	<input type="checkbox"/> PTF 1	<input type="checkbox"/> DEF 1	Incorporated or Principal Place of Business In This State	<input type="checkbox"/> PTF 4	<input checked="" type="checkbox"/> DEF 4
Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business In Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6

IV. NATURE OF SUIT

(Place an "X" in One Box Only)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance	PERSONAL INJURY	PERSONAL INJURY	PROPERTY RIGHTS	<input type="checkbox"/> 400 State Reapportionment
<input type="checkbox"/> 120 Marine	<input type="checkbox"/> 310 Airplane	<input type="checkbox"/> 362 Personal Injury - Med. Malpractice	<input type="checkbox"/> 422 Appeal 28 USC 158	<input type="checkbox"/> 410 Antitrust
<input type="checkbox"/> 130 Miller Act	<input type="checkbox"/> 315 Airplane Product Liability	<input type="checkbox"/> 365 Personal Injury - Product Liability	<input type="checkbox"/> 423 Withdrawal 28 USC 157	<input type="checkbox"/> 430 Banks and Banking
<input type="checkbox"/> 140 Negotiable Instrument	<input type="checkbox"/> 320 Assault, Libel & Slander	<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability	<input type="checkbox"/> 450 Commerce	<input type="checkbox"/> 440 Deportation
<input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment	<input type="checkbox"/> 330 Federal Employers' Liability	<input type="checkbox"/> 370 Other Fraud.	<input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations	<input type="checkbox"/> 480 Consumer Credit
<input type="checkbox"/> 151 Medicare Act	<input type="checkbox"/> 340 Marine	<input type="checkbox"/> 371 Truth in Lending	<input type="checkbox"/> 820 Copyrights	<input type="checkbox"/> 490 Cable/Sat TV
<input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans)	<input type="checkbox"/> 345 Marine Product Liability	<input type="checkbox"/> 380 Other Personal Property Damage	<input type="checkbox"/> 830 Patent	<input type="checkbox"/> 810 Selective Service
<input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits	<input type="checkbox"/> 350 Motor Vehicle	<input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 840 Trademark	<input checked="" type="checkbox"/> 850 Securities/Commodities/ Exchange
<input type="checkbox"/> 160 Stockholders' Suits	<input type="checkbox"/> 355 Motor Vehicle Product Liability	<input type="checkbox"/> 390 Other Personal Injury	SOCIAL SECURITY	<input type="checkbox"/> 875 Customer Challenge 12 USC 3410
<input type="checkbox"/> 190 Other Contract	<input type="checkbox"/> 360 Other Personal Injury	LABOR	<input type="checkbox"/> 861 HIA (1395ft)	<input type="checkbox"/> 890 Other Statutory Actions
<input type="checkbox"/> 195 Contract Product Liability		<input type="checkbox"/> 710 Fair Labor Standards Act	<input type="checkbox"/> 862 Black Lung (923)	<input type="checkbox"/> 891 Agricultural Acts
<input type="checkbox"/> 196 Franchise		<input type="checkbox"/> 720 Labor/Mgmt. Relations	<input type="checkbox"/> 863 DIWC/DIWW (405(g))	<input type="checkbox"/> 892 Economic Stabilization Act
REAL PROPERTY	CIVIL RIGHTS	<input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act	<input type="checkbox"/> 864 SSID Title XVI	<input type="checkbox"/> 893 Environmental Matters
<input type="checkbox"/> 210 Land Condemnation	<input type="checkbox"/> 441 Voting	<input type="checkbox"/> 740 Railway Labor Act	<input type="checkbox"/> 865 RSI (405(g))	<input type="checkbox"/> 894 Energy Allocation Act
<input type="checkbox"/> 220 Foreclosure	<input type="checkbox"/> 442 Employment	<input type="checkbox"/> 750 Other Labor Litigation	FEDERAL TAX SUITS	<input type="checkbox"/> 895 Freedom of Information Act
<input type="checkbox"/> 230 Rent Lease & Ejectment	<input type="checkbox"/> 443 Housing/ Accommodations	<input type="checkbox"/> 790 Empl. Ret. Inc. Security Act	<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)	<input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice
<input type="checkbox"/> 240 Torts to Land	<input type="checkbox"/> 444 Welfare	IMMIGRATION	<input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 950 Constitutionality of State Statutes
<input type="checkbox"/> 245 Tort Product Liability	<input type="checkbox"/> 445 Amer. w/Disabilities - Employment	<input type="checkbox"/> 462 Naturalization Application		
<input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 446 Amer. w/Disabilities - Other	<input type="checkbox"/> 463 Habeas Corpus - Alien Detainee		
	<input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> 465 Other Immigration Actions		

V. ORIGIN

(Place an "X" in One Box Only)

<input checked="" type="checkbox"/> 1 Original Proceeding	<input type="checkbox"/> 2 Removed from State Court	<input type="checkbox"/> 3 Remanded from Appellate Court	<input type="checkbox"/> 4 Reinstated or Reopened	<input type="checkbox"/> 5 Transferred from another district (specify)	<input type="checkbox"/> 6 Multidistrict Litigation	<input type="checkbox"/> 7 Appeal to District Judge from Magistrate Judgment
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Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

15:72

Brief description of cause:
Recover Fraudulent Transfers

VI. CAUSE OF ACTION

CHECK IF THIS IS A CLASS ACTION

UNDER F.R.C.P. 23

DEMAND \$

98,062.28

CHECK YES only if demanded in complaint:

JURY DEMAND: Yes No

VII. RELATED CASE(S) IF ANY

(See instructions):

JUDGE

Thomas J. Whelan

DOCKET NUMBER 04-CV-2037-W

DATE

11/03/2010

SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT # 20616

AMOUNT 350.00

APPLYING IFFP

JUDGE

MAG. JUDGE

CR MS 11/30/10

Court Name: USDC California Southern
Division: 3
Receipt Number: CAS020616
Cashier ID: msweaney
Transaction Date: 11/30/2010
Payer Name: NORCO DELIVERY SERVICES

CIVIL FILING FEE

For: DONELL V BRADLEY BROWNING
Case/Party: D-CAS-3-10-CV-002452-001
Amount: \$350.00

CHECK

Check/Money Order Num: 30990
Amt Tendered: \$350.00

Total Due: \$350.00
Total Tendered: \$350.00
Change Amt: \$0.00

There will be a fee of \$45.00
charged for any returned check.